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CABINET AFFAIRS STAFFING MEMORANDUM

Date: 4/11/84 **Number:** 168965CA **Due By:** _____

Subject: Cabinet Council on Food and Agriculture Chaired by the President

Tuesday, April 17, 1984 - 2:00 P.M. - Cabinet Room

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
			CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The President will chair a meeting of the Cabinet Council on Food and Agriculture on Tuesday, April 17, 1984 at 2:00 P.M. The agenda is as follows:

- Farm Sector Debt (background paper attached)

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☐ Katherine Anderson
☐ Tom Gibson

☐ Don Clarey
☒ Larry Herbolzheimer

Associate Director
Office of Cabinet Affairs
456-2800

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

April 9, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON FOOD AND AGRICULTURE

FROM: JOHN R. BLOCK *JRB*
SUBJECT: Economic Conditions in the Farm Sector

Summary

Recently there have been many news reports concerning the state of the farm economy and its weak financial condition. At the same time, prices for most major farm commodities are up significantly from the recent past and we are projecting near-record net farm income in 1984. This paper attempts to put this apparent paradox into perspective by suggesting that the hardships, although real, are not evenly distributed among the farm population and not as pervasive as implied. The sector's financial problems are not being felt by most operators. Many of the debt problems are highly concentrated in particular regions where drought and market developments have combined to cause severe impact. A major contributing factor to the problems of producers of certain commodities was excessive purchases of land and machinery in the last 5 years at inflated prices using capital borrowed at high interest rates with the expectation of continued double-digit inflation and land price escalation.

- o While much improved from a year ago, financial conditions in the farm sector are not as good as they could be and are particularly severe for operators who planned on continued inflation in the 1980's. While roughly half of all farmers are debt-free, about 15 percent of the operators with heavy debt burdens and hard-hit by last summer's drought face serious income and cash flow problems. These farms account for about one-third of the gross cash receipts of the farm sector. An even larger group faces significant losses in equity as the value of their assets drop after several decades of appreciation due in large part to rapid inflation. Ultimately, 2-4 percent may be forced out of business this year compared with 1.5 percent last year. While not unusual for other sectors of the economy, agriculture is not accustomed to these levels.
- o It is important to recognize that much of this hardship is the result of a more general deflationary transition at work throughout the economy. Agriculture is not the only sector with individuals who over-extended themselves in the late 1970's based on the expectation of continued double-digit inflation and sharply rising interest rates. Banks, homeowners, builders, and others who sought to hedge and benefit from inflation are in the same position. It is perhaps more severe for agriculture since the sector is both interest-rate and export-sensitive and the world economy has not yet rebounded with the U.S. recovery.
- o In addition to the early 1980's reversal in inflation, a wide range of supply and demand factors here and abroad combined to generate the financial problems currently troubling the sector. The market reversals the sector has suffered since 1981 are without precedent and were aggravated by embargoes and rigid farm programs that Congress would not adjust

when the economic environment changed. Agriculture's financial difficulties also relate to what in retrospect were poor business decisions in the late 1970's that involved purchasing land and machinery at inflated prices using borrowed capital at high interest rates. Factors outside the sector, such as macroeconomic developments, have also played a major role. Farm lenders, for example, are responding to monetary conditions in the general economy and putting more emphasis on farmers' ability to repay loans on the basis of cash flow rather than on asset appreciation as was traditionally the case. This transition has worsened the sector's financial problems.

- o The Administration has taken steps to ease these financial problems. The 1983 acreage reduction programs, reinforced by drought, brought commodity supplies into closer balance with demand and raised lagging farm prices. While costly in the short term, the 1983 programs were critical in keeping agriculture viable and limiting government payments over the medium term of 2-4 years under what have become essentially farmer entitlement programs. The Farmers Home Administration, which accounts for 11 percent of the farm credit outstanding, has been able to stay with over 97 percent of its farm borrowers in FY 1983.

And after 2 years of debate, a compromise bill on 1984 program provisions was recently passed by Congress reducing the high support levels that contributed to past surpluses. Enough acreage should also be idled under the 1984 acreage reduction programs to help minimize the rebuilding of troublesome surpluses later this year while at the same time reducing future federal budget exposure. Action has also been taken to expand export programs and to improve trade relations with key importing countries such as the Soviet Union.

- o Longer term improvements, however, depend on dealing with more basic problems such as rigid farm policy. At the President's request the Cabinet Council on Food and Agriculture has initiated a comprehensive review and assessment of food and agriculture policies and programs as part of the Administration's preparations for the 1985 Farm Bill. Public hearings are being held to increase awareness of the advantages and disadvantages of alternative farm programs and the full cost of inflexible programs that isolate farmers from the market. These efforts should lead to a consensus on the policies needed for a competitive agriculture's ability to adjust to changing market conditions without large-scale government intervention.

However, many of agriculture's problems are outside the reach of farm policy. Monetary and fiscal policy and the interest rates they influence, for example, have become critical in determining farm production costs, domestic demand for farm products, and--via exchange rates--export demand as well. For every one percentage point change in the interest rate on farm debt outstanding, farm income changes by \$2-3 billion; for every ten percent change in the value of the dollar internationally, agricultural exports change by at least five percent. With agriculture integrated more closely than ever into the domestic and international economy, farm financial conditions are increasingly determined outside the sector and independent of farm policy.

Introduction

While much improved from a year ago, financial conditions in the farm sector remain under stress. This past summer's PIK program and drought reduced surpluses of most farm products. Commodity prices, with the exception of wheat, have strengthened (Figure 1). However, commodity futures for 1984 crops and farm asset values continue under pressure from what the market sees as a persistent problem of excess productive capacity in agriculture.

Lagging commodity prices in 1981 and 1982 and reduced marketings at higher prices this past summer and fall have left many farmers facing cash flow and income problems. Many are also experiencing large-scale equity losses. They are now paying for overinvesting in expanding capacity during the high inflation-low interest rate period of the 1970's with high interest payments and depreciating assets in the 1980's (Figure 2).

As a result, rates of return in the sector have dropped off sharply from the 1970's and were actually negative in 1982 and 1983 (Figure 3). While the sector can ultimately expect increased returns to its revalued assets, in the short term 10-15 percent of farm operators face financial pressure and 2-4 percent may be forced out of business this year compared with about 1.5 percent last year. Although low relative to other sectors of the economy, agriculture is not accustomed to these levels.

Financial pressures have eased somewhat since late 1982 and 1983 in many areas as large-scale government payments buoyed farm incomes above what they would otherwise have been (Figure 4). The most serious problems are now concentrated among new entrants into the sector--farmers with large debt burdens at high interest rates and hard-hit by the drought. Continued recovery in 1984, which now seems likely with reduced surpluses and more normal weather, will be critical in returning agriculture to a more viable economic position.

Representatives of the American Bankers Association and the Independent Bankers Association of America, speaking for the agricultural banks which hold two-thirds of the farm loans in the banking system, have indicated in most instances they will continue to furnish credit to their farm customers this year. Typically, they report that they are requiring higher leveraged operators, most of whom expanded their operations rapidly during the late 1970's, to make modifications in their asset holdings.

The losses of the cooperative Farm Credit System's production credit associations (short-term lenders) are reported to be over \$200 million for the year. This represents close to 40 percent of the total amount this lending institution has lost in its entire history. While the financial stability of the Farm Credit System is still sound, weaknesses in individual production credit associations have resulted in the liquidation of some units and consolidation of other neighboring units in the Midwest and Northwest and a few isolated locations in the Southeast. Examiners are applying strict standards and are closely scrutinizing the quality of loans being made. The result within this system is that producers, already under stress, are finding it more difficult to obtain as much credit as before or be offered any credit at all because of reduced credit-worthiness.

The Farmers Home Administration (FmHA) was able to stay with over 97 percent of its 271,000 farm borrowers in FY 1983. Special servicing actions to help farmers were up by 40 percent in FY 1983 compared to FY 1982. Entering FY 1983, 65,022 borrowers were helped because FmHA worked out deferral, re-scheduling and subordination agreements. The agency deferred principal and interest payments for 2,925 farmers and rescheduled or reamortized loans for 30,804 borrowers.

Over the longer run, however, the economic position of the sector and these operators in particular depends on addressing the more basic problems--particularly the macroeconomic and farm policy issues. At the request of the President, the Cabinet Council on Food and Agriculture is undertaking a reexamination of farm policy, and the Department of Agriculture is conducting public hearings in anticipation of the 1985 Farm Bill debate. But even with more appropriate farm programs, however, forces outside agriculture such as macroeconomic policy and foreign developments will continue to be major determinants of the economic state of agriculture.

The Market Reversals of the 1980's

A wide range of economic, political, and weather factors here and abroad combined at the start of the 1980's to throw the farm sector into a deep economic downturn. Demand for U.S. farm products actually declined in contrast to the 3-4 percent per year growth of the 1970's. At the same time, the sector's capacity to produce reached an all-time high and farmers found themselves dependent on high capacity utilization rates and strong commodity prices to meet income and debt service needs.

The more flexible farm programs the Administration sought in its 1981 Farm Bill proposals were rejected by Congress. The rigid programs ultimately passed by the Congress aggravated the problems generated by stagnant demand by making it attractive for producers to continue operating at full capacity--even if it entailed lower-than-anticipated returns and producing for government programs at considerable taxpayer expense rather than producing for the open market.

Demand Slows Down...

The most dramatic of the factors contributing to this situation was declining foreign demand for U.S. farm products. The world farm trade environment shifted dramatically from the 5-6 percent growth pace of the 1970's to virtual stagnation during the early 1980's. Global recession reduced per capita incomes and slowed growth in demand for farm products. Efforts in many of the largest importing countries to increase self-sufficiency, including more protectionist trade policies, slowed growth in import demand even more sharply. International financial and debt problems left many countries unable to purchase even the more limited imports they would otherwise have purchased.

The U.S.'s competitive position in this bearish world market also weakened sharply with the appreciation of the dollar, the aftermath of the Soviet embargo, strained political relationships with key importing countries, such as Iran, and increasingly aggressive marketing by the other exporting countries. As a

result, slowed growth in world trade translated into a sharp drop in U.S. farm exports (Figure 5). This outcome contrasts sharply with previous expectations that the major issue of the early 1980's would be expanding capacity fast enough to feed the world.

Growth in domestic demand for farm products also weakened during the early 1980's. At play were the same economic considerations, exacerbated by high real interest rates, that made stock holding more expensive and farm product users willing to draw down their commodity stocks to control costs. This combination of weak domestic and export demand slowed growth in overall demand for U.S. farm products from 3-4 percent during the 1970's to less than 1 percent in the early 1980's.

Agriculture's Expanding Capacity to Produce...

The 1970's strong growth in demand and the high farm returns that accompanied it generated a sharp increase in investment in expanding the sector's capacity to produce, including a net addition of over 50 million cropland acres. The crop sector's capacity to produce expanded 3-4 percent over the late 1970's compared with 1-2 percent over the 1950's and 1960's (Figure 6). Farmers expanded acreage, accelerated their adoption of new technologies, and increased input use.

The low real interest rates, high inflationary expectations, and the rapid asset appreciation of the 1970's were critical in making the capital investment underlying these gains in capacity possible and the adjustments of the 1980's inevitable (Figure 7). Real interest rates were negative during much of the period and rapidly rising asset values and equity provided farmers with the incentive as well as the collateral base to expand. High commodity prices and large marketings worked to keep the interest expense associated with this capital expansion small relative to net cash income--on average less than 20 percent over the 1970's compared to approximately 15 percent over the 1960's.

Farm Programs Encourage Expansion...

The farm programs put in place over the last decade encouraged this expansion in capacity. Rising support levels during the late 1970's in particular reduced risk sharply and guaranteed producers a minimum return in many cases equal to or greater than the variable costs of production. Wheat loan rates, for example, increased from \$1.37 per bushel in the mid-1970's to \$3 in 1980--a 220 percent increase in five years. Target prices for wheat increased from \$2.05 per bushel to \$3.63 in 1980--a 177 percent increase. As a result, production for government programs, as distinguished from production for the open market, became a viable alternative.

While originally designed to the contrary, the 1981 Farm Bill institutionalized this setting by legislating high and rising supports that would have had little impact on the market if demand had continued strong, but became a serious impediment to adjustment as market conditions shifted. Congress narrowly approved the legislation because they felt it did not escalate support prices rapidly enough for farmers. Since 1980 the wheat loan rate has increased to \$3.30 per bushel--a 10 percent increase. Wheat target prices will rise to a projected

\$4.38 per bushel level based on the Agricultural Programs and Adjustment Act recently passed by Congress--a 20 percent increase over five years.

Despite the dramatic moderation in the rate of increase in price supports, they remained above market clearing levels in the early 1980's when the markets signaled lowered needs and ultimately reductions in capacity. Many farmers kept their capacity utilization levels high by producing for government programs established by Congress. This mix of sharply slower growth in demand, high production, and rigid farm programs resulted in large surpluses, record government outlays, and serious financial pressure on the sector.

Record government payments helped to support farm incomes at levels higher than market forces would otherwise have dictated to help soften the inevitable come-down. But farm assets fared less well. With their income-earning capacity down and speculation reduced due to lower inflation rates, land values in particular fell off sharply after 3 decades of uninterrupted gains due in large part to rampant inflation. Moreover, with interest rates up sharply and incomes weaker, the cost of the capital investments made in the 1970's increased dramatically. While a limited number of farmers are facing bankruptcy and foreclosure, most are facing equity losses.

Perhaps the best indicator of the ultimate impact of this combination of weaker than expected commodity prices and marketing receipts and the higher-than-expected costs, both for producing farm products and financing the investments in capacity made in the 1970's, was the change in interest payments relative to net cash income. Annual interest payments increased from an average of 20 percent of net cash income over the 1970's to over 50 percent during the early 1980's (Figure 8).

Administration Initiatives

In this setting, the Administration took a number of initiatives designed both to ease financial problems in the farm sector and to minimize the federal budget exposure.

Commodity Programs

The 1983 acreage reduction programs, reinforced by the drought, were temporary measures designed to reduce excessive stocks, minimizing short and medium term government expenditures in support of agriculture. Farm income was enhanced without shorting the market (Figure 9). It also defused Congressional pressure for more radical measures such as mandatory acreage controls. But while PIK worked well to deal with the surplus problem in 1982 and 1983, it alone could not solve more basic problems. Use of PIK-type programs over the longer run would quite likely work counter to both the sector's and the general economy's interests in encouraging a competitive agriculture capable of meeting domestic farm needs and supplying a large and growing share of the world market.

The programs proposed for the 1984 crop year include a package of acreage programs, frozen target prices, and increased funding to expand our commercial and concessional sales abroad (Figure 10). This 1984 program, following the

sharp stock draw-downs made in 1983, should work to keep financial and economic conditions in the farm sector improving and government program expenditures moderating.

Credit Programs

More than two years ago USDA formed an ad hoc agricultural credit task force composed of members of the agricultural executive committees of the American Bankers Association, Independent Bankers Association of America, and the Governor of the Farm Credit System. This group has met regularly to monitor credit and credit-related conditions and to encourage additional cooperation between the various financial entities.

The Farmers Home Administration has continued to expand the use of contracted services to utilize the loan servicing of commercial bank entities. On March 28, 1984, I announced the implementation of an Approved Lenders Program which was developed jointly with commercial bankers and the Farm Credit System to significantly encourage the use of guaranteed loan programs. Guarantees can play a significant role in strengthening the position of commercial and Farm Credit lenders and enhancing their ability to continue supplying credit to existing borrowers.

The Administration has increased its budgeted short-term farm lending funds from \$850 million in FY 1981 to a request for slightly more than \$2 billion in the 1985 budget. This has enabled us to assist producers in working through their current stress situation.

The Administration has moved to substantially strengthen and promote the Federal Crop Insurance program as the primary farm risk management tool for use by producers. It has also taken steps to eliminate improper and abusive use of emergency lending programs which tend to exacerbate the financial problems of some producers already in difficulty.

Re-examining Farm Policy Alternatives for 1985

The resolution of many of the factors that contributed to or exacerbated the farm decline of the early 1980's depends in part in the longer term on the farm policies and programs enacted in 1985. At issue is whether traditional farm policy programs and tools such as acreage reductions, loan rates, target prices, and reserves can meet the policy needs of a rapidly changing farm sector and a volatile international market while effectively promoting the broader interests of the general economy.

The structure of agriculture has changed dramatically since the inception of many of the programs put in place in the 1930's. The business of farming has changed dramatically as farmers moved from purchasing less than half to over two-thirds of their inputs from outside the sector and the average farm expanded from a 150-acre family enterprise to a 450-acre operation. The sector is increasingly falling into two groups--one made up of up to 1-2 million small farmers, many with part or most of their incomes from off-farm sources, that produce less than 20 percent of the sector's output, and 400,000 medium and large operators without other sources of income that produce 60-80 percent of the sector's product.

-8-

Both of these shifts raise serious questions about the appropriateness of commodity programs designed to effectively manage supply through a combination of price supports, acreage adjustments, and payment limitations. Per capita incomes of farm people have also grown fast enough to almost equal nonfarm incomes and in the process eased one of the critical problems cited to justify traditional farm programs.

Administration Initiatives...

The Administration has undertaken a number of initiatives in anticipation of the 1985 Farm Bill debate. Cabinet Council discussions and USDA public hearings on farm policy are being held in an effort to develop a consensus regarding the better farm policies that both agriculture and the general economy need to strengthen the sector's capacity and incentive to adjust to changes in market conditions without large-scale government intervention.

However, even with farm policy reforms in 1985, forces outside the sector--such as macroeconomic developments--will continue to be a major determinant of the economic state of agriculture.

High interest rates have had a particularly pronounced impact on agriculture by increasing the cost of operations and investment capital fast enough to make interest payments the sector's largest single expense item. A 1 percent change in interest rates on all farm debt outstanding currently translates into a \$2-3 billion change in the sector's net income.

Domestic demand for farm products has been reduced by high interest rates, both through their dampening impact on economic activity and demand for direct use and stock holding. In many cases, processors of farm products both here and abroad took advantage of the buyer's market in the early 1980's to pass the rising cost of holding stocks back down the processing line to farmers and the federal government where the price-depressing impact of stocks tends to be greatest. While the impact is difficult to quantify with any precision, farmer incomes clearly suffered from the lower commodity prices resulting from this shift.

High interest rates also forced up the value of the dollar and weakened the sector's competitive position in the world market. USDA analysis suggests that up to \$6 billion in foreign sales and possibly \$2-3 billion in farm incomes were lost over the last 2 years as a result of the stronger dollar. While the other sectors of the economy were also affected by high interest rates, agriculture's growing dependence on capital borrowed on the open market, the particularly bearish impact of changes in stock holding, and the sector's critical dependence on exports to dispose of up to a third of its product, made the impact of higher interest rates particularly severe.

Progress in achieving desired economic growth, keeping inflation low, and reducing Federal budget deficits could very well have a greater impact on the well-being of farmers over the next several years than farm programs. It is important that we not lose sight of these linkages as agricultural policy is developed in the coming year.

FIGURE 1
AVERAGE U.S. MARKET PRICES AND INCOME

Item	Unit	Cash Markets March		November- December
		1983	1984	1984*
Corn	\$/bu.	2.82	3.37	3.02
Wheat	\$/bu.	4.18	3.85	3.80
Soybeans	\$/bu.	5.81	7.77	7.31
Cotton	Ct/lb.	66.1	74.9	75.1
Broilers	Ct/lb.	44.3	62.0	n.a.
Hogs	\$/cwt.	50.94	47.00	56.92
Cattle	\$/cwt.	64.03	68.48	64.17
Eggs	Ct/doz.	69.1	91.0	n.a.

*November-December futures as of April 5. n.a. = not available.

Item	1981	1982	1983 ¹	1984 ¹
Billion Dollars				
Net Farm Income	30.1	22.1	21-23	31-36
Net Cash Income	34.7	36.3	41-42	38-41

¹ Projected.

FIGURE 2.
REAL FARM EQUITY

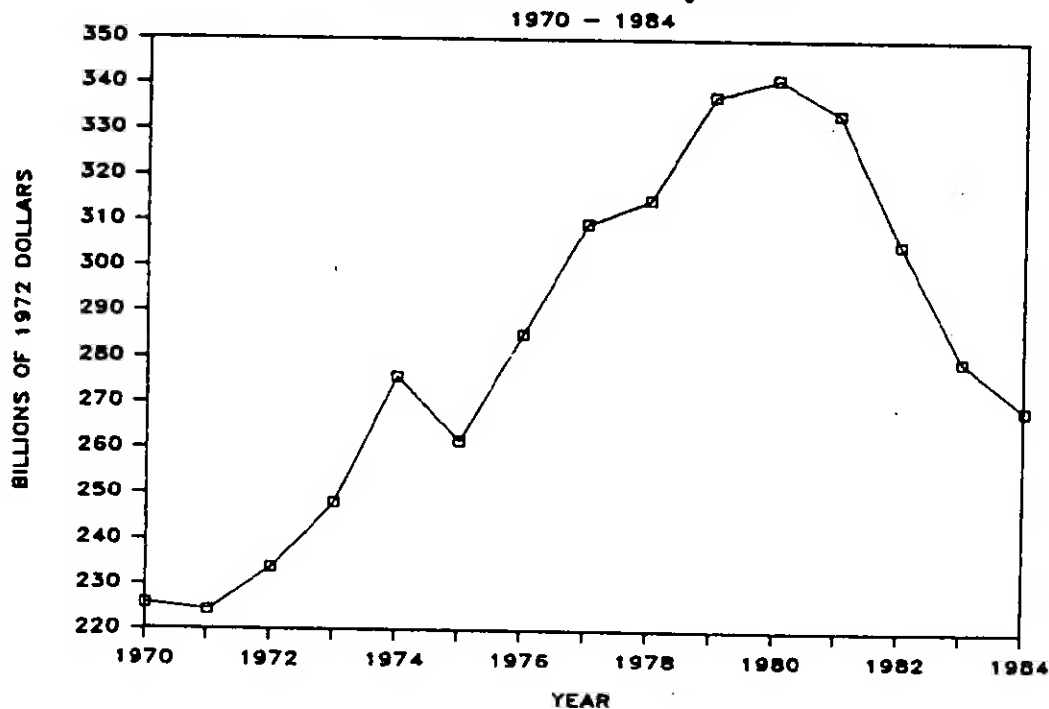


FIGURE 3.

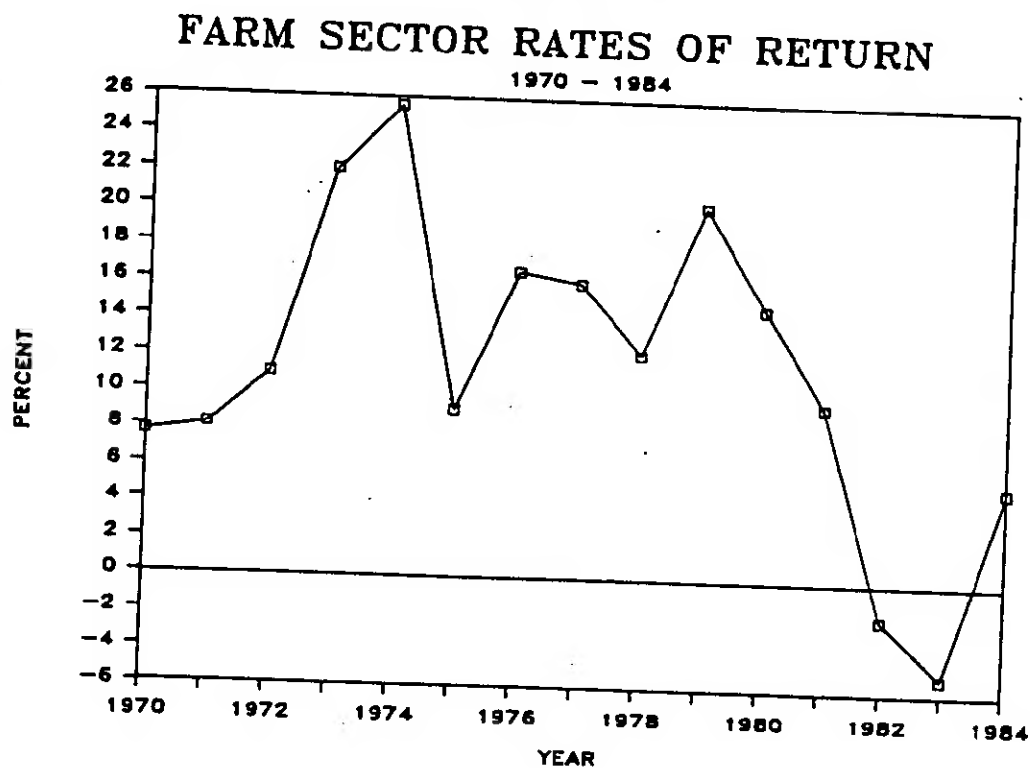


FIGURE 4.

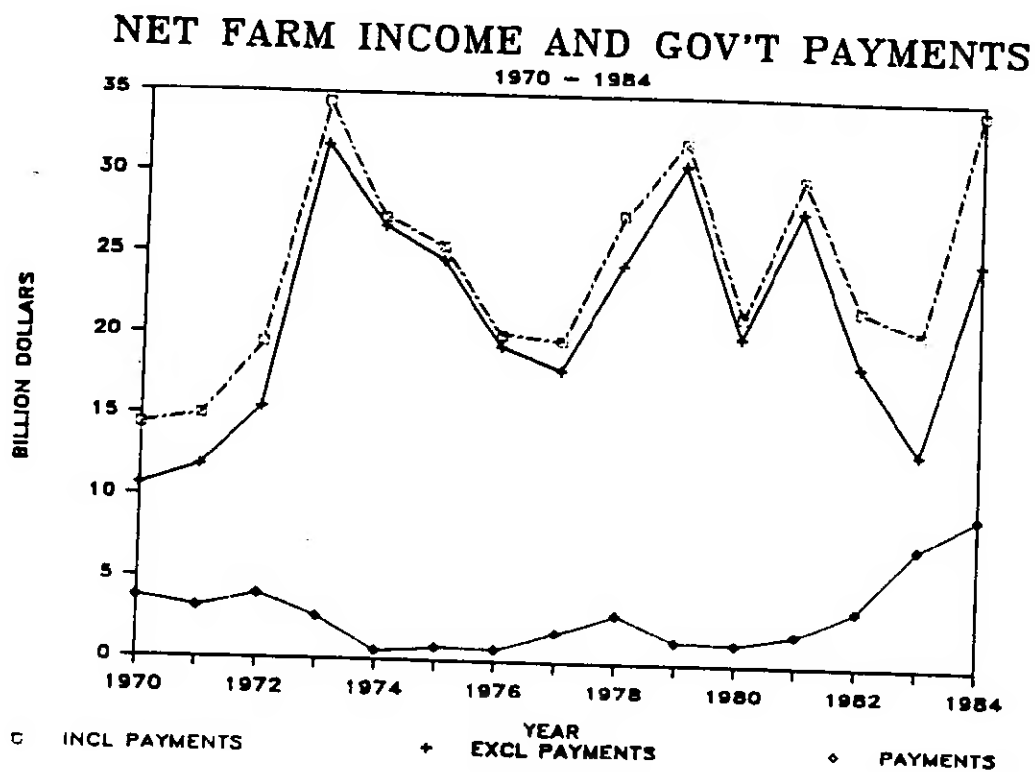


FIGURE 5

Slowed Growth in World Trade Translates
into a Drop in U.S. Farm Exports

	World Farm Trade	U.S.. Farm Exports
	Million Tons	
1978	382	137
1979	404	147
1980	424	163
1981	435	162
1982	437	152
1983 Estimated	437	144
1984 Projected	437	140

FIGURE 6

GROWTH IN CAPACITY TO PRODUCE CROPS

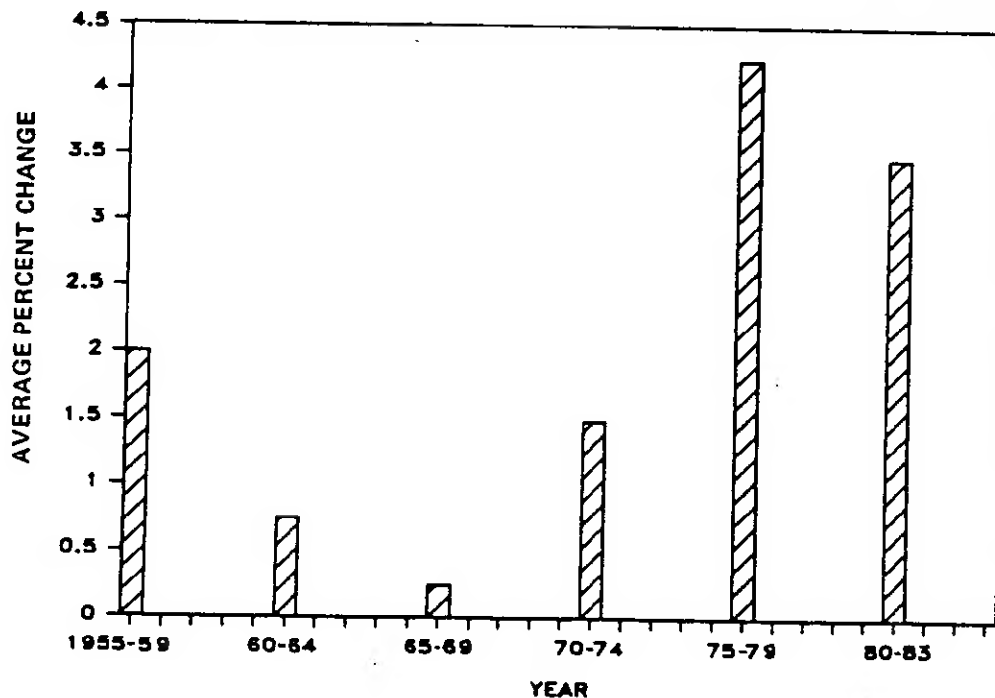


FIGURE 7

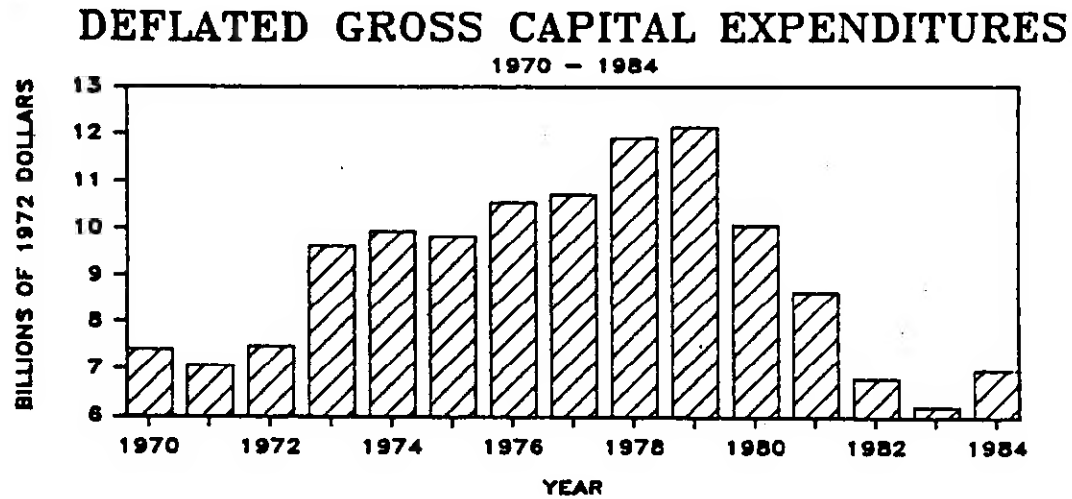


FIGURE 8

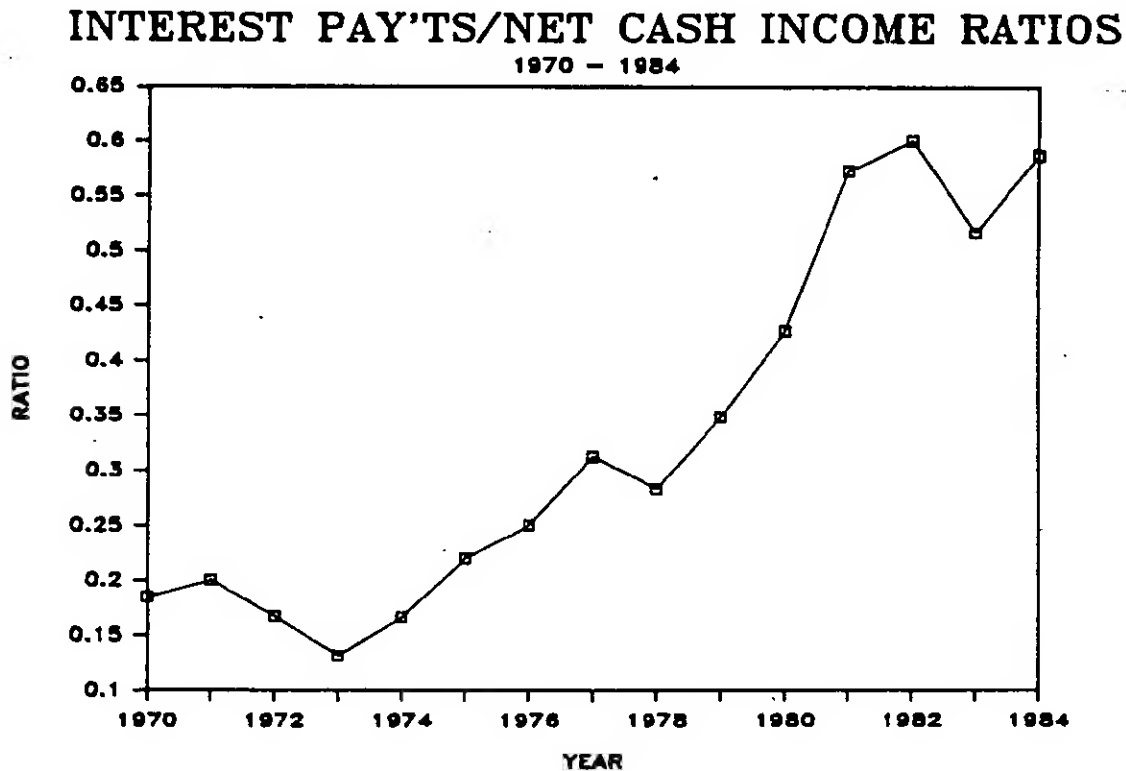


FIGURE 9

PIK, reinforced by the drought, was a temporary remedy

- o Reduced excessive stocks
- o Enhanced farm income
- o Minimized direct outlays in support of agriculture
- o Eased storage problems
- o Increased acreage devoted to conserving uses
- o Assured adequate market supplies

FIGURE 10

Administration Initiatives

COMMODITY PROGRAM INITIATIVES:

1984 Cash Paid Diversion Program for Wheat, Plus PIK

Reduced Wheat Loan Rates to Increase Exports

1984 Freeze Target Prices of All Commodities With Cash
Diversion if Stocks are Excessive

Advance Diversion Payments

EXPORT EXPANSION:

Increased Export Credit and Food Aid Funding

Increased High-Value Export Promotion Funding

Improved Trade Relations with USSR

CREDIT INITIATIVES:

Increased Drought Assistance and Economic Emergency
Loans

Doubled FmHA Operating Loan and Loan Guarantee Levels

BUDGET SAVINGS:

Over \$3 billion